

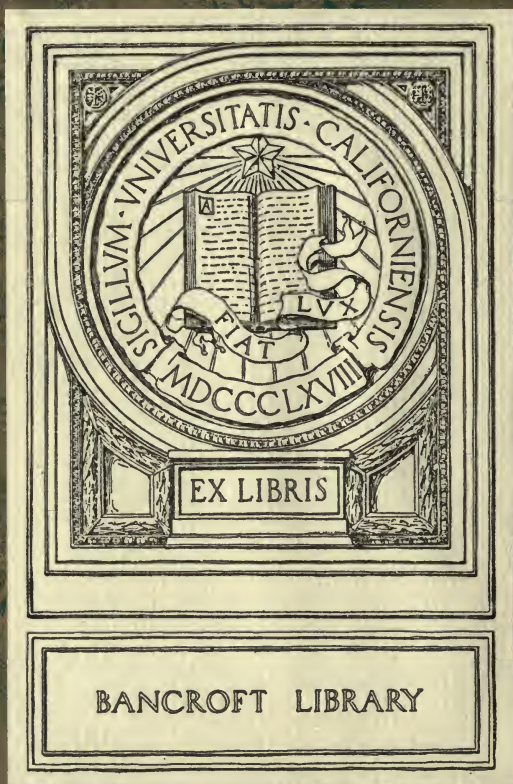
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OUR SOUTH AMERICAN TRADE

BY

WILLIAM R. SHEPHERD

REPRINTED FROM POLITICAL SCIENCE QUARTERLY
VOL. XXIV., No. 4

BOSTON
PUBLISHED BY GINN & COMPANY
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AS a means of acquiring and spreading information about distant lands there is nothing so effective as commerce. Such a statement may be the expression of a truism, but for the purposes of the present article it is one worth emphasizing. In the backwardness of the trade of the United States with the several republics of South America lies the reason for most of our ignorance about them. To the growth and prosperity of those republics foreign capital and foreign immigration are quite as indispensable as they have been to our own national development. This is another truism that has its value. The results of private investigation, the reports of consuls and other public agents and the series of publications issued by the South American governments themselves have described the resources of their respective territories and have indicated the facilities offered to foreign enterprise so elaborately as to make the demand for capital and immigration known. On the other hand, the actual experience gained in the work of introducing these factors of progress has brought with it something more than pecuniary profits. It has conferred a benefit upon the South American countries in helping to remove the obstacles that have checked their national advancement. In this process the United States is peculiarly fitted to play an important rôle. Why our energies have been employed elsewhere, and how they may be turned in due measure to the southern continent, are but special phases of the general problem.

From the standpoint of relatively undeveloped resources, the conditions prevailing in the republics of South America bear a much closer resemblance to those found in the United States than they do to the economic circumstances of the majority of the European countries. As we have made our resources abundantly fruitful, so have we evolved an attitude of mind and a number of ideas, practices and institutions that may be said to characterize us as a nation. A due enlargement of trade relations with our South American neighbors would afford the

opportunity for a corresponding extension among them of whatever has been of value in our social, economic, intellectual and political training. Should we be able, indeed, to work out and to apply the qualities and methods needful for the accomplishment of so useful an object, the South Americans on their part might learn to trust the United States more fully and to foster the cause of Pan-Americanism more actively than is now the case.

With this broader view of the bearings of our South American trade in mind, an elementary study of it may conveniently begin with an account of the commercial situation in the continent at large. Then the special circumstances, the national policies, the individual traits and the business methods of the peoples of Europe who are chiefly concerned in the economic development of South America will be described and incidentally compared with the corresponding characteristics, in these respects, of the people of the United States. From each of these sources in turn certain general causes of our failure to obtain thus far our due share in the trade of the southern continent will be brought out. Lastly, an attempt will be made to show how our trade with South America may be enlarged. In the account that follows, however, no concrete examples will be furnished of the lines of American goods for which a demand exists, or might be created, in South American markets; nor will any comparison be offered between the prices of American and those of European products. Matters of this kind require a technical treatment such as a business expert alone may give. A discussion of them would hardly fall within the scope of an article which proposes simply to emphasize a number of primary reasons for the backwardness of our trade with South America and to put forth certain suggestions for its improvement. The bases upon which the several statements rest are derived in part from opinions expressed by South Americans themselves, as well as by American exporters alive to the situation, and in part from personal observations made by the writer during the course of recent visits to the principal countries of the southern continent.

It needs but a glance at statistics to show that the main currents of South American trade flow east and west, to and from Europe and not to and from the United States. While the total commerce of the several countries of the southern continent exceeds one billion three hundred million dollars a year, the share of the United States in that commerce is less than one-sixth. Our exports to South America fall short of our imports by upwards of seventy million dollars, and constitute only about four and a half per cent of our total exports. For the existence of this trend of traffic adverse to us, the circumstances of geographical position, habits of association and the nature of many of the commodities exported from that continent are all responsible. The countries extending along the east coast face Europe and lie practically as near to it as to the United States. Advantages of location, strengthened by favorable conditions of climate and soil, have made their relations with the old world very close. The republics on the Pacific side of the continent are also quite as near to Europe as to the United States. Shut off in great measure by the wall of the Andes and prevented by other obstacles from attaining so rapid a development as the states to the eastward, they have come to be even more dependent upon their European connections. Nor has the communication recently established between Asia and the west coast of South America by means of a Japanese line of steamships led as yet to any marked change in the customary eastward direction of the west-coast trade. Even in the case of the two northern republics, Colombia and Venezuela, which lie nearer to the United States than to Europe, the commercial advantages thus afforded us have been largely offset, as we shall see, by the operation of other forces. Furthermore, it should be remembered that the population of the several republics has been greatly increased by immigration from Europe. Familiar with the products of their native lands, the newcomers naturally prefer such products to articles brought from other countries and maintain a constant demand for them, unless powerful inducements to the contrary are made effective. The South American states, finally, export great quantities of mining and agricultural products similar to those which form the chief ele-

ments in our own export trade. Since these products find in Europe the ready market which they cannot possibly secure in the United States, it follows, as a foregone conclusion, that where the goods are sold corresponding purchases will be made.

This topic of the trend of South American trade suggests a brief account of the transportation system upon which it depends. Along the north coast of the continent, along the east coast between Pará and Buenos Ayres, and on rivers like the Amazon, the La Plata and the Paraná, the shipping facilities, in the main, are satisfactory. On the west coast the service is not so good. Until recently it was furnished chiefly by two lines of steamers, one British, the other Chilean. The companies owning them had in operation an agreement that fixed the sailing schedules and the freight and passenger rates. Of these arrangements it need only be said that the former was about as much honored in the breach as the latter in the observance. The steadily growing competition of the German "Kosmos Line," however, has now put the Chilean line out of business and seriously threatens the traffic of the British line.

On land the system of transportation in South America, taking the continent as a whole, is quite defective. In many of the mountainous and tropical regions of the interior and even in some portions of the low-lying, temperate areas of the south, railways are practically non-existent. Only the Argentine Republic, Chile and certain parts of eastern and southern Brazil possess anything like railway systems. Even these are insignificant in extension when compared with the huge areas yet to be covered. The transcontinental railway through the Argentine Republic and Chile awaits the completion of the tunnel under the Andes, and, except for the lines running from those countries and from Peru into Bolivia, there are no international lines whatever. All the other railways on the continent are short lines, stretching from the seaports a few miles into the interior. The result is that throughout most of South America the modes of overland transportation are as primitive as they were in colonial days. Pack animals, ox-carts and human carriers have to be brought into requisition. Though the rate of speed is necessarily very slow, the carrying capacity in one

form or another is surprisingly great. Almost any article from a piano to a two-ton telescope can be borne through the jungles and up the steep mountain-passes. So far as the pack animals themselves are concerned, the usual limit of the burden which can be borne by an ox is 400 pounds, and of that which can be placed on a mule, 250 pounds. A donkey or a llama will carry from 100 to 150 pounds. This, however, does not mean dead weight. On the contrary, the load has to be put up and adjusted so that about one-half of it will fall on either side of the animal. When the object is too heavy or too unwieldy for the beasts of burden to carry, it is slung on poles and borne on the backs of men.

Any needless deviation, therefore, from the rule of packing and adjustment by reason of weight or size means a corresponding increase both in the difficulties of transportation and in the freight charges. Assuming that the goods are in proper form and are entrusted to experienced freighters, the risk of loss or injury is not so imminent as it might seem. The very existence of the risk, nevertheless, adds materially to the insurance rates; and in all cases the freights charged for such primitive modes of carriage, to say nothing of those exacted by the vessels plying on many of the rivers of South America, are bound to be far in excess of what is demanded for transportation by sea.

Turning now to a description of the customs regulations, it should be said that the duties levied in South American ports are more commonly specific than *ad valorem*, the weight being determined strictly in accordance with the metric system. The tariff schedules themselves are often complicated and, unless followed very carefully, may cause articles to be taxed much higher than the class to which they properly belong. Special duties or surtaxes are levied at times on certain commodities, even though such duties may not be mentioned in the schedules directly under the technical headings of the goods in question. Some classes of merchandise, like oil and its products, lumber, machinery, construction material and agricultural implements, which are imported regularly and in large quantities, are not so subject as other goods to delays and hazards at the port of entry. Besides the import duties as such, there are certain

other charges to be met, as, for example, port, dock and warehouse dues, the cost of cartage and fees for chemical analyses. Each of these naturally has to be considered with reference to the regulations prevailing in the state concerned. Still, after the entire expense of bringing the goods into the country is figured up, the total is rarely excessive.

Regarding the commercial attitude and business usages of the South Americans, it must be admitted that in all of the republics certain classes of persons are to be found who, actuated by the old, familiar spirit of "knownothingism," view with disfavor and apprehension the introduction of foreign capital and the inpouring of European immigrants. The entrance of large amounts of capital from the United States in particular, these persons appear to think, might afford an easy pretext for armed intervention on the part of the "Colossus of the North," whenever its schemes of territorial expansion bring the countries of South America within their scope. Prepossessions of this sort, however, are not commonly influential. On the contrary, a marked desire for the introduction of American capital exists in practically all of the republics. Not only is its value for the purpose of developing natural resources well understood, but there is also a shrewd notion afoot of the additional benefit that would proceed from a cheapening of capital were the American commodity to be placed in effective competition with the British and the German. On the other hand, the general principle of competition, as applied in particular to the sale of foreign goods, either purchased outright or sold on commission, is not so warmly welcomed by the average business house in South America. Accordingly, when it undertakes to handle such goods, it is apt to demand an exclusive right to their sale and looks askance at any attempt to supply a competitor with the same products.

That the great industrial and commercial enterprises of the southern continent are controlled almost exclusively by Europeans and Americans is a circumstance not due altogether to the fact that the capital required for their initiation and development has come from outside of South America itself. Viewed as a whole, the South Americans, whatever their nation-

ality, lack the business instinct of the Americans, the Germans and the English. Some of the more prominent mercantile houses are familiar enough with modern methods. Close students of their European masters and willing to learn from Americans as well, the members of such firms strengthen their acquaintance with the present requirements of business by visiting the trade centers of Europe and the United States. The average South American merchant, however, is cautious and conservative, after the manner of his Spanish or Portuguese ancestors. Invariably courteous in his bearing and often formal and punctilious to a degree, he expects a like treatment in return. He is not quick to perceive the advantage involved in buying an article that has the element of novelty as its chief recommendation. Instead, he is disposed to prefer that which he knows by long-continued usage, and when the familiar article is brought from abroad he wants it precisely in the form to which he is accustomed.

Among South American business men, furthermore, promises of performance on the morrow that is long in coming are apt to be frequent. They recall the phrase of the witty Frenchman, who remarked that the only Spanish expression which was more common than *mañana* (tomorrow) was *pasado mañana* (day after tomorrow). So far as such promises refer to payments and to credits, ancestral tradition is not alone responsible for the slowness of the one or for the length of time demanded in the case of the other. The circumstance itself is not unusual in countries relatively undeveloped, where there may be an abundance of natural products accompanied by a scarcity of ready money to meet demands on short notice.

The several practices under discussion have incited the charge, so often heard in the United States, that the rank and file of South American business men, if not positively dishonest, are at least as dilatory and unprogressive as the governments of their respective countries are unstable and corrupt. Pure ignorance, of course, has something to do with fomenting this charge, but it is based mainly on the assertions of two classes of Americans. The first is made up of those who have failed in some enterprise of dubious virtue, and who then proceed to

publish rancorous articles or books about the alleged ill-treatment that they have received. The second class is represented by a few great business houses which control the bulk of our export trade to South America. Handling this trade with all the skill that it demands, and hence free from the faults to which attention will later be called, they frighten away possible competitors by availing themselves of favorable opportunities to exaggerate the difficulties that lie in the way of its extension.

From this sketch of the commercial conditions prevailing in South America as a whole, let us turn to an examination of the circumstances peculiar to certain of the European states, which have induced and enabled these states to develop so fully their trade relations with that continent. It is well known that the chief competitors of the United States in the commerce of South America are Germany and Great Britain. These countries opened their markets in that part of the world at a time when we were devoting our energies to the development of the enormous resources of our own land, and later they spread those markets industriously while we were busied in promoting our trade with Europe and Asia. Germany and Great Britain, therefore, had the good fortune of being first on the ground. They possessed and, to a large extent, still possess another signal advantage over us, namely, an abundance of comparatively cheap labor, which enables them to keep the prices of their commodities proportionately low. Having huge populations to sustain within very limited areas, their natural resources have undergone practically as much exploitation as they will bear. Accordingly, in the absence of business opportunities at home, thousands of Germans and Englishmen are compelled to emigrate. The impulse affects those of mediocre capacity, who may be content to struggle along as they are, far less than it does the men whose talents are commensurate with their ambitions. As a rule, therefore, the Germans and the Englishmen who engage in foreign trade are those best fitted to cope with new conditions in other parts of the world, and their migration is bound to continue so long as the situation in their respective countries, and the success attending their activities in South America or elsewhere, demand it.

Germany and Great Britain, furthermore, are primarily manufacturing nations. Neither of them is able to produce food and other commodities in quantities sufficient for home consumption or raw material enough to supply its mills and factories. On the other hand the output of their manufacturing industries is greatly in excess of the domestic consumption. It follows that both states have to seek foreign markets and that, in order to secure them, special means must be employed to facilitate the processes of export and import.

Circumstances like these explain why Germany and Great Britain have developed so largely their instrumentalities of traffic with South America. They have built steamships and sailing vessels; they have established banks and increased the postal conveniences; they have invested capital in countless industrial concerns, of which mining, railways, street traction, light and power plants, water works and manufacturing establishments are but a few examples; and their purely mercantile enterprises are legion. At the same time their tariff schedules and their navigation laws, as well as their business habits, have undergone modification to meet the exigencies of the South American market and to satisfy both the needs and the demands of the South American customer. Naturally enough all this has served to win the confidence of the South American and to imbue him with a conviction that the European merchants are sincerely interested in his welfare.

That precisely the reverse of the conditions which prevail in Germany and in Great Britain obtains generally in the United States requires no lengthy explanation. Our own trade currents, like those of South America, have flowed east and west. We have watched with satisfaction the American "invasion" of both Europe and Asia, and, in proportion as the sale of our commodities has netted a fair amount of profit, we have fostered our business interests in those continents. Favored with astounding success eastward and westward and enjoying a huge and lucrative market at home, we have become relatively oblivious to the fact that the trade of a great region to the southward is falling a prey to the European "invader." Indeed, we

appear to think that the United States has no particular need of South American commerce. Our disbelief in this respect finds expression in the oft-repeated assertion: "Whenever we want the trade of South America, we can easily get it." Unmindful of the lesson of the recent financial disturbance, the depression of which might have been greatly lightened, if not offset, by adequate foreign markets, we are content to bide our time until, in order to forestall the consequences of overproduction, we shall be compelled to seek an outlet in the southern continent. That before such a situation arises the market in that quarter may be preëmpted, we are loth to believe possible.

Despite the fact that the sources of information on South American trade conditions are more ample in the United States than in the countries of any of our European competitors, they are frequently ignored. Reports and compilations of consuls and special agents are sent out in abundant quantities by the national government only to be thrown aside. A like treatment befalls the material offered by the International Bureau of the American Republics at Washington. Our average business man rarely glances at the monthly bulletins issued by that office and seldom avails himself of the information which it supplies. Whether the Division of Latin American Affairs recently established in the Department of State will fare any better than the official agencies already existing remains to be seen. It is very difficult, furthermore, to induce American clerks and salesmen to accept positions in South America. While a young German or a young Englishman of fair ability is willing to go there for a salary of a thousand dollars a year, a young American who is similarly qualified would demand double that sum, so great are the advantages offered at home or in some other part of the world where our trade may be flourishing. For this reason American firms doing business in South America are often forced to secure employees of German or of English birth.

By many persons in the United States it is believed that our protective tariff and our navigation laws constitute the chief obstacles in the way of a proper development of our South American trade. They assert that the tariff regulations tend practically to exclude from this country many of the staple pro-

ducts of the southern continent which otherwise might find a market here. From such exclusion three injurious consequences proceed. The first is an appreciable lessening of the amount of return cargoes—a circumstance which deprives the South American exporter of the opportunity of paying for his imports from the United States in kind. The second is the creation among South Americans of a prejudice against the use of our goods, which has the effect necessarily of increasing the demand for European commodities. The third consequence is the diversion of South American products to Europe, where the tariff bars are not so high or do not exist at all. To the extent that we need these products, therefore, we are compelled to purchase them at advanced prices in European markets. Other critics there are who point to the fact that practically all the European steamship lines engaged in South American trade are subsidized in one form or another by their respective governments. They assert, also, that the navigation laws of the United States, as now applied, tend to discourage the construction of vessels that might carry on commerce under the American flag, might supply what is felt to be a lack of shipping facilities between this country and South America and might reduce the transportation charges levied by the Europeans who actually control the traffic.

One often hears the further complaint that, owing to the total lack of American banks in South America, the business enterprises of our citizens there are financially at the mercy of branches of European banking houses, which naturally favor the trade of their parent countries against our own. Since payments are made by drafts on European banks, the American seller is not sufficiently protected against the fluctuations of the South American money markets, and he may be subject besides to excessive charges for any services rendered. The fact is emphasized, also, that with several of the southern republics the United States has no arrangement for the issue of postal money orders. Accordingly the inhabitant of any of these republics who wishes to order any article from the United States has to make payment through a European agency. The delay and the expense connected with such a transaction, it would seem, must tend to discourage the purchase of American goods.

On behalf of those who uphold these views it can hardly be denied that European banks and European ships, the former by exchange and the latter by freight charges, collect a constant percentage on our South American trade, some of which percentage might be diverted to our own shores. That the great majority, also, of the vessels carrying American goods to the southern continent sail under European flags, and that the foreign banks which finance American business operations there are European corporations, are matters worthy, no doubt, of public attention. All these themes, however, involve considerations too elaborate for the limits of what is intended to be merely a general survey of the whole question. They are mentioned here in order to show the necessity for a scientific study of the tariff policy, the navigation laws and the financial facilities of the United States, as compared with those maintained by our chief European competitors. Then it will be possible to determine the extent to which these factors may be influential in retarding the development of our South American trade.

The most powerful competitor with whom the United States has to reckon in the furtherance of its commercial relations with South America is the German. If he was a dangerous adversary before, he is more so now that our new tariff has increased the difficulties of German exportation to this country. For the disadvantage thus entailed he is bound to seek compensation in other markets, and of these the South American is the most promising. Our British competitor there is much less formidable. Perhaps, indeed, no phase of the recent economic progress of the southern republics is more remarkable than the extent to which German influence and German capital are undermining the position that British trade and enterprise have long enjoyed. In a number of cases the names of the firms or corporations concerned may remain British, but the practical strength that they possess is German. It may be that British capital in general is as fluid in quality and abundant in quantity as the German commodity is fixed and insufficient, and that the bulk of the foreign capital actually invested in South America is still British in origin, but the application and control of it are coming steadily into German hands.

By the South Americans themselves it is often said that of the chief groups of foreigners engaged in trade among them, none displays so much business ability as the German and none so little as the American. The thrift and industry of the typical German are of course too proverbial to need comment. Attention should be directed rather to certain other characteristics that distinguish his operations in the southern republics, and, it might be added, elsewhere in the world as well. Though strikingly exemplified in Brazil, the Argentine Republic, Chile and Peru, where approximately a million native-born Germans or descendants of Germans are settled and act as promoters of the commercial ambitions of the Fatherland, the qualities in question may be studied to advantage in every spot on the continent to which the ubiquitous German has betaken himself.

No intelligent German, be it said, would ever think of migrating to South America before he has acquired a practical knowledge of his special line of business and has acquainted himself, as thoroughly as may be possible in advance, with the language of the country, its customs, its needs and its economic conditions in general. He learns also the languages of his principal competitors in that market. Provided with the ample training that the admirable German schools of commerce afford and gifted with an unusual degree of adaptiveness, he fits readily into his new surroundings. Tactful and complaisant as regards native sympathies and prejudices, even if he can win no more than the respect of his neighbors he yet avoids anything that might provoke their antagonism. Rather than hold himself socially aloof he will marry into a native family; but although he may identify himself in this or in other respects with the interests of the country, he prudently abstains from undue participation in its politics. For the purpose of increasing his intellectual stock in trade, the German investigates with patient care all phases of the commercial and industrial situation which may be of service to him, not hesitating, if it seem necessary, to visit the remotest sections of the country. Then, after all the requirements of caution and deliberation are satisfied, he locates his business, or places his investment, with a degree of shrewdness that does him credit.

The commercial instinct of the Germans is firmly rooted. Time was when the English were known as the nation of shopkeepers, equipped with all the obsequious arts that distinguish the craft. Now the title seems to be passing to the Germans. Not content, however, with his ability to please his customers and to keep their patronage, the German merchant strives constantly to improve on the ways and means of doing business which he has learned on his native soil or has acquired in his adopted country. From time to time he travels to the lands of his principal foreign competitors, where he masters the secrets of their trade and manufacture. Returning to the scene of his business, he carefully combines the knowledge he has thus obtained with his own practical skill so as to meet the demands of his clients more successfully than ever. In the matter of imitation the German takes rank with the Japanese. To give his customers just what they want, and not what he thinks that they ought to buy, is one of his business ideals. The materials of which the goods are made may be of inferior quality, but they correspond pretty closely to the demands of local taste. Whenever native appreciation rises to a point where better materials are desired, the German manufacturer improves his materials. On the other hand, unlike some of his competitors, he does not assume that the mere reputation of German goods, or the utterance of the talismanic words "made in Germany," will be sufficient to insure an immediate sale. Instead of showing catalogues, the German salesman shows the articles themselves, and he is always prepared to give a practical demonstration of their value and, if necessary, of the way in which they should be used. Should it be impossible to keep certain lines of goods in stock, he has in their stead a series of samples or models, the completeness of which reminds one of the display in a New York department store. The result is that the prospective buyer has before him an assortment to choose from about as large as he would have in the very districts where the goods are produced. Finally, if his patrons so desire, the German grants them a liberal credit in the form and for the period to which they are accustomed.

This description of German characteristics, shown particularly

in connection with South American trade, suggests, by way of contrast, an account of certain traits and practices too often typical of his American rival. Leaving out of consideration the few great exporting houses of the United States, to which allusion has already been made, we find among the business men of this country, as well as among the people at large, three false notions which check the growth of our South American commerce beyond the limits to which it has been carried by the big firms in question.

The first of these notions is that the inhabitants of South America are scarcely half civilized. Not infrequently the American capitalist declines to invest his money in South American enterprises because he believes that it will not be protected. If as a nation we knew more about that continent and its peoples, the injustice of such an attitude of mind would be apparent enough. British and German capitalists encounter no special difficulty in securing profitable returns from their investments, and they do so without invoking the aid of warships and without conniving at revolutions. On the other hand it is a fact too well-known to need comment that the corrupt conduct of Americans in many parts of the southern continent has served to injure the good name of the United States and to awaken a corresponding distrust of us in the minds of the South Americans themselves.

The second false notion is that the American way of doing business is necessarily the best in the world. Self-complacency and a sort of careless, good-humored condescension toward our European competitors have been converted, it would seem, by a decade or two of brilliant commercial success, into something approaching a national obsession. In common with this spirit are the ideas, first, that if the South Americans want our goods they should simply send for them, and second, that anything will do for South America. Both ideas are responsible for much of the prejudice existing in that continent against the use of our products. If orders are received from South America, the American manufacturer too often ignores them or ships something not desired. He may not dispatch goods which he knows to be inferior, as has been charged against him, but not

infrequently he is slow about filling orders and careless or indifferent about returning articles, especially parts of machinery, sent to him for repair or replacement. The result of such a procedure is that no more orders will be received from the South American merchant so treated, although there may be a good market for the commodities in question.

Granting, however, that the American exporter does heed the orders that come to him, certain further defects in our trade with South America now come into view. They appear in two main forms. One of these is the unwillingness of the American manufacturer to alter what may meet the needs of his customers at home in such a manner as to satisfy the requirements of the South American purchaser. The other is his failure to safeguard his consignments against injury in transit. A recital of the defects themselves must involve a retelling of the old story of unintelligent packing; but, like many other old stories, it may serve a good purpose by repetition. Not "once upon a time," therefore, but on numerous occasions, be it said, goods sent from the United States have been packed in shapes, sizes and measures and in weights and quantities unusual in South America. Pounds, quarts and yards have no place in countries where the metric system prevails. Too frequently does it happen that the American exporter takes out an insufficient amount of insurance on his goods. He does not mark the articles shipped as carefully as he should. The indications as to form, size, contents and the like are apt to be omitted from the labels or erroneously stated or wrongly placed, and the actual addresses of the consignees incorrectly given or so poorly put on as to become obliterated before the goods arrive at their destination,

These defects, however, are on the whole less serious than the careless fashion in which American commodities are often prepared for shipment. It must be remembered that, before they reach their destination, packages are liable to a great deal of knocking-about in the course of transportation by ocean-going vessel, lighter, river-steamboat, railway, ox-cart, beast of burden and human carrier. Their possible exposure, also, to hot and moist temperatures may easily work damage both to

covering and to contents. Nevertheless huge boxes, flimsily constructed of thin boards and unprovided with iron straps or other means of security, are filled with heavy merchandise and dispatched to some point in South America only to be broken open, either accidentally in the varied processes of transportation, or intentionally by thieving freight-handlers. Should a machine, for example, be badly packed, it is likely to be converted into a heap of scrap-iron by the time that it arrives at its place of consignment. Or should any one of the parts of a machine be lost in transit, the South American importers themselves are apt to know so little about the rest of it that they cannot describe the missing piece and hence do not send for a duplicate. Not only is the machine in question rendered useless, but the annoyance and the pecuniary loss suffered by the purchaser make its further introduction into that region quite improbable. At times, also, the box or case is too large or too heavy. It is quite possible to crate some big machine or other weighty object whole and to put it aboard a vessel bound for South America just as if it were being sent to any part of the United States, but if the commodity is consigned to a point in the interior of that continent, the freight charges may roll up so enormously as to render its importation altogether unprofitable. On the assumption, furthermore, that solidity of packing means a corresponding increase in strength, some American shippers make their packages in general too heavy. This insures a substantial addition to the income of the South American states from their import duties, but it has no other advantage.

Given the qualities accredited to the American business man, his failure to exhibit them in South America seems rather remarkable. Unmindful of the difference in speech, he often answers in English letters of inquiry addressed to him in some other language, and also sends to his correspondent elaborately illustrated catalogues printed in English. Neither the reply nor the catalogue is likely to accomplish any good. Again, instead of using South American newspapers and magazines for the purpose, the American exporter commits the fault of advertising in certain periodicals printed in Spanish and published in

the United States, the circulation of which is chiefly among the American advertisers themselves. Diligent inquiry among business men in South America shows that such journals, even when they have been heard of, are seldom, if ever, looked at. The American proprietor of patent medicines, on the other hand, is wiser. He has learned to proclaim the extraordinary virtues of his emulsions, pink pills, electric belts and elixirs of life on the spot, in the columns of the South American newspapers or on the pages of the South American magazines; and by so doing he seems to be able to entice credulous humanity south of the isthmus to the use of his nostrums quite as surely as in the United States.

When an American merchant of the sort we are considering sends out a traveling salesman to South America, he is apt to select one of two undesirable types. The first of these is the man who may be thoroughly familiar with the details of the business, but who is unacquainted with any language save his own and is unfitted by temperament and by training to deal with South Americans. The man of the second type may be able to speak Spanish or Portuguese and may be otherwise adapted or adaptable to South American conditions, but he has little or no practical knowledge of the articles that he is supposed to introduce. Salesmen like these often make the gross mistake of imagining that, in order to secure a market for the line of goods which they represent, they need simply to employ the same arguments in Buenos Ayres that they would in New York. Knowing, for example, that the average American is prone to insist that the article which he buys shall be "up-to-date," as the phrase goes, they strive in vain to convince the South American that what he has always used is not so good as something brand-new. In many instances, moreover, the American salesmen do not take the trouble to penetrate into the interior of the countries to which they may be assigned, but confine their efforts to the coast towns. Others, instead of dealing directly with the South American merchants, seek out some English importing house or some German establishment of the same sort in which English is spoken. Through the medium of the salesmen, furthermore, or immediately on the part of the

American concern itself, agencies are often set up in the very headquarters of our chief competitors, instead of entrusting them to native hands. How greatly the German or the English firm in question is benefited by such an admission to American trade secrets may readily be conjectured. Even in those cases where a native agency may have been created, the American house often injures its business by the adoption of an unwise policy toward its representative. It waits until that agency has built up a good market for certain lines of goods and then either turns over the further sale of the articles to a branch establishment of its own or supplies a native competitor of the original agency with the same commodity. Bearing in mind the attitude of the South Americans towards this sort of business practice, whether legitimate or not, one cannot be surprised if the native agent feels resentful at what he regards as unfair treatment and seeks to foment a prejudice among his countrymen against the use of the articles in which he has been dealing.

Three other defects in the American way of doing business in South America remain to be mentioned. In the first place, it is not uncommon for our merchants to demand that their goods, when exported to a South American country, be paid for in advance or immediately on delivery; or, if credit is allowed, they grant it for short terms only. None of these modes of payment, however, suits the majority of South American buyers: they call for long credits of, say, six months or more. Again, granting that the terms of payment are satisfactory to both parties, the American exporter is heard to complain at times of his inability to collect the amounts when due. To this it may be replied that if the exporter in question, ere he sent his goods forth, had taken the trouble to ascertain, through the local banks or other sources of reliable information, the business and financial responsibility of his backward customer, precisely as he would do in a similar case at home, his dealings would have been confined to reputable firms or individuals only, and his bad debts would have been proportionately fewer. At this point it is well to note, also, that no uncommon cause of the difficulties met with by our merchants in settling their accounts in South America is their failure to familiarize themselves with

the monetary systems obtaining in the various countries and to safeguard themselves accordingly.

The third and last of the false notions current in the United States, to which allusion has earlier been made, is the belief that the American article is the best in the world and must commend itself spontaneously wherever it goes. In some cases, perhaps, the belief may be well founded, but this idea of the universal superiority of American materials and of American workmanship over anything of a like sort which can be furnished by Europe is rapidly becoming a more or less gratuitous assumption. Not a few of our business men have begun to realize that the European manufacturers, and notably the German, are quite capable of producing many classes of goods equal, if not superior, to our own. At all events the question is clearly open to discussion, after one has observed the fine quality of European handiwork and has also remarked the readiness with which both Europeans and Americans are learning to copy one another's productions. As examples of what the Germans in particular are doing in the latter respect in South America, the cheap imitations of American articles and the falsification of American trade-marks need only be mentioned. Yet the American exporter seems to make little effort to counteract the underselling that accompanies these practices.

Even if the intrinsic superiority of the American commodity, backed by the influence of a manufacturing reputation, be admitted, it does not follow that the South American buyer will feel inclined to recognize such superiority if the article costs more than something else of European origin which appears to be just as good. The prices of many classes of American products are in fact so high as to prevent any wide-spread sale of them in South America. That more of our goods are not sold there is due in great measure to the difference between American and European trade policies and methods. The use of better grades of materials and the employment of more highly paid labor in our manufacturing plants are not alone responsible.

This study of prevailing conditions has perhaps been sufficiently comprehensive to prepare the way for positive sugges-

tions for the development of our South American trade. The broadest and most obvious suggestion, of course, is that we stop committing the various faults that have been described, and that we profit by the examples of our European rivals. Habitual currents of trade, protective tariffs, navigation laws and ship subsidies all apart, we can secure our share of South American commerce when the views and methods of our business men undergo, as regards this commerce, a change which will enable them to cope successfully with their rivals in general and with the Germans in particular.

Business relations, quite as much as other organisms, are governed by the law of growth and decay. In order to be successful, trading operations must be actively promoted and not merely suffered to go on as automatic processes. Should they be managed in the latter sense, decline and failure are bound to be the result. Foresight, also, is one of the inexorable demands of business. Simply because there is no immediate and direful necessity for a wider participation in South American commerce, we are not justified in neglecting to strengthen our hold upon it. We must make ready now to meet the imperative need whenever it does arise. To assume the sufficiency for all time of the home market and of our trade with Europe and Asia, without taking into serious account the possibility of a limitation of the one or a contraction of the other, is assuredly not a wise policy.

Situated geographically as we are, about as distant from South America at large as Europe is, with the completion of the Panama Canal a question of the future, and excluded thus far from the possible advantages of communication by rail, there are three things that we ought to do. The first is to get a thorough first-hand acquaintance with South American conditions. The second is to make a careful examination of the examples set by our European competitors, in the conviction that we shall be able to improve vastly upon these models. This does not mean that all we need to do is to imitate the Germans or the traders of any other nationality, although some of the German qualities might be taken over with advantage. Our third duty is so to modify certain of our business methods as to render them thoroughly effective in South America.

While general admonitions like these may have some usefulness, an indication of specific ways and means of improving our trade relations with the countries of the southern continent would be of greater advantage. To take up, however, each of the traits and methods of our business men which have been noted as defective, and to prescribe for each defect its corresponding remedy, would be as great a waste of words as to give further laudation to the traits and methods of our European rivals. Instead, let us note that it would be well to have members of our exporting firms visit the South American countries, and make their visits as frequent and their observations as careful as possible. By so doing they could render valuable services both to themselves and to the United States. Their study of South American conditions at first-hand would enable them to widen their commercial opportunities and to bring back to this country, not only technical information, but also the general knowledge about the southern continent of which we stand so much in need. The South Americans, too, would more readily believe that we are interested in their trade if they were to see our representative merchants coming in person to investigate it.

In conjunction with what is furnished by Europe more of our available capital should be invested in South America. To the extent that the resources of the various republics are developed their purchasing power will be enlarged. When this result is attained, the Americans can compete with the Europeans for the increased trade.

American banks should be established in South America. Not only would such institutions facilitate our trading ventures by rendering them more independent of European banking houses, but they would yield large pecuniary returns as well. The profits made by the European branch banks in the southern continent range from eight to fifteen per cent annually, and are in some cases even greater.

Touching now upon some of the policies that the American business man might adopt with advantage toward his South American customers, let it be noted first of all that he is bound to treat such customers with as much regard as he does those

at home. If the South American buyer calls for the shipment of the goods ordered under conditions and in a form different from those to which we are accustomed, or if he asks for rights of sale and terms of payment unusual in this country, his wishes on all such points must be met; otherwise the more obliging European merchant will be the recipient of any further business. To attain these ends, the American shipper should ascertain the precise details of the tariff regulations of the country to which the goods are consigned, and the formalities connected with the preparation of invoices of shipments which these regulations prescribe. Also he should keep himself constantly informed of changes in the tariff system. The American exporter should employ packers thoroughly familiar with the conditions of climate and transportation prevailing in the country of destination. Should this not be feasible, the technical details of the process may readily be learned from the several government publications and other sources of information to which reference has already been made. Good packing, however, should never be carried to the point where its cost may exceed the percentage of possible loss by leakage or breakage, for in so doing the price of the articles may be so greatly increased as to render effective competition impossible.

In all cases where a reputable South American firm expresses a desire to handle American goods, with the understanding that it shall enjoy the right to an exclusive sale of them in a given locality, the privilege should be granted; provided, of course, that it be impracticable to found there a branch of the American house itself. Furthermore, whenever asked for, a liberal credit should be extended to responsible parties. This would include, not only a reasonably long period through which the payments might run, but also allowance of the usual discounts from catalogue rates, and a deduction of the interest if the principal be paid at the beginning, instead of at the expiration, of the term agreed upon. It might be well, indeed, to introduce more widely into South America the plan, so common in the United States, which provides for the payment at the outset of a small fraction of the purchase price and permits the purchaser forthwith to enjoy the use of the article bought, subject

to the payment of periodical instalments extending over a year or more, while the legal ownership continues in the seller until the last instalment has been paid. The few experiments thus far made with this plan have been very successful.

We have already observed that the prices of American goods are often too high to make their general sale in South America possible. If in any particular case this be true, and if the standard of American quality is to be maintained, one of two things must be done: either the American manufacturer must bring his selling price nearer to cost, contenting himself with a large output and small profits, or he must undertake a systematic campaign of education among the South American purchasers to show the special merits of the American article as compared with the claims urged on behalf of some European commodity that competes with it. But, whether the prices of American goods are relatively high or low, the systematic campaign in question should nevertheless be started in as many different ways as American ingenuity can devise. If the leading South American firms that handle our products and our own patent-medicine proprietors find it profitable to advertise freely in the local newspapers and magazines, the American exporter in general has even greater reason to do so. The advertisements themselves need not be inserted more than once a month in the periodical chosen, unless the subject-matter has to be changed frequently or unless some other motive to the contrary exists. In all cases, too, where the nature of the article will justify it, the advertisements proper should be amply supplemented by a display of lithographs, wall-posters and the like, lettered in the language of the country, attractive in form, and put up in the localities where they will most surely attract public attention. Similarly catalogues, price-lists, circulars and other varieties of commercial literature should be given a wide distribution in South America. To insure their examination by prospective customers, however, they must be printed in the language of the country; and they should be clear in statement and well provided with illustrations.

Useful as advertising is as a means of promoting trade, personal solicitation on the part of competent salesmen, a system-

atic organization of their work, an abundant assortment of samples and a practical exhibit of modes of operating any particular article are far more effective in the South American trade. The salesmen themselves might well be divided into two classes, more or less on the order of our consuls and consular inspectors. The first of these classes would confine its activities to comparatively small areas; while the second would perform special functions in a much larger field. If the expense of maintaining what might be termed "salesmen-at-large" were too great for any individual firm to defray, it might be borne by a combination of houses that would agree to entrust the care of their particular interests to such agents in common. Sent out on a general circuit of the South American states, the "salesman-at-large" should familiarize himself with the laws and customs, as well as the tastes and needs, of the region in general. Then, having fixed upon the localities that might seem to offer a lucrative market for the goods of the firm or firms which he represents, he should devote more detailed attention to a group of states or even to one of the larger countries alone. While never missing an opportunity to place large orders, the circuit agent should leave the routine work of selling to the ordinary salesmen. Whenever practicable, also, he should be allowed to supervise the operations of these salesmen and to give them such instructions as an acquaintance with conditions on a larger scale might suggest. Finally, the circuit agent should send home periodical reports of his various activities.

Not only for this class of business representatives, but also for the ordinary salesmen who may be employed in South America, certain qualifications are indispensable, although the former of course should possess them in a more eminent degree. The qualifications are the following: first, a thorough familiarity with the goods in hand; second, a well-developed faculty of practical observation and description; third, a fluent command of the language; fourth, a preliminary acquaintance, obtained by a proper amount of study in the United States itself, with the conditions, commercial and otherwise, prevailing among the various countries of South America, and with the characteristics of the different nationalities and classes in that continent; and

fifth, an easy adaptability to South American habits and temperament, along with a corresponding ability to subordinate any provincial American sense of superiority. Such at least are the ideal qualities to be desired in circuit agents and salesmen, but if one of them has to be omitted let it be the knowledge of the languages. A smattering of Spanish and Portuguese avails far less than the practical ability to establish a market in the country concerned. Aided by an interpreter, a good salesman can accomplish vastly more, or certainly do less harm, than the one who may be deficient in practical good sense. For business purposes, indeed, neither of the two languages presents great difficulties to an intelligent man who really wishes to learn them. In a few months he can acquire a degree of fluency extensive enough to enable him to sell goods, if he is otherwise qualified to sell them. Should Americans possessed of such qualifications be unobtainable in sufficient numbers, there are plenty of expert German salesmen who would be quite willing to represent American business houses in South America.

Furthermore, the delays incident to the actual shipment to South American countries of commodities ordered through the head office in the United States directly, and not through the medium of responsible agents in the localities concerned, might be removed by a gradual introduction of the several features of our contract system. By degrees, also, it may readily become possible to block out the South American countries geographically. Under this arrangement each agent or salesman would be authorized to make the agreements or contracts within the area specifically assigned to him, final approval only being reserved to the head office in the United States.

Wherever practicable the American exporter should establish branch houses in South America, rather than avail himself of the services of local agents, native or European. By so doing he will avoid a repetition of the mistake that so many of his class are now making in Germany, where, instead of having the goods handled directly by branch concerns, they are shipped to German importers whose abnormally high rates of profit are not altogether consistent with their denunciation of the new American tariff. Moreover it might be well for Amer-

ican exporters interested in South American trade to form a sort of syndicate for the general operations of sale in any particular country or countries. They could establish there a central agency and warehouse, in which samples of their goods might be displayed, and their circulars, catalogues and other means of affording technical information might be used to the fullest advantage. If in any place, further, there be maintained by native enterprise a permanent exposition of industrial products in their various stages of manufacture, the American houses doing business in that section should come into immediate connection with the persons conducting such an exposition.

Whether the American exporters act jointly or individually in their quest of South American trade, they should keep a reasonably large stock of goods in the countries themselves. These should consist, not only of articles for sale and exhibit, but of such also as may be necessary for repair and replacement. Above all, our merchants should have in every field of their business activities in South America a complete assortment of samples; and these should be placed in the hands of able salesmen who know how to explain the operation or the utility of any particular article and to expatiate upon its merits.

Such are some of the general principles that should govern our commercial dealings with the republics of South America. The time to apply them is to-day, not to-morrow. Our markets at home and in Europe and Asia will not always furnish an adequate outlet for what we are capable of producing. Before us lies the trade of a neighboring continent, as yet hardly touched. We ought to preëempt our share of it ere the omnipresent German has made it altogether his own.

WILLIAM R. SHEPHERD.

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MAR 15 1917

